

## Message Text

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ORIGIN EUR-12

INFO OCT-01 ISO-00 DODE-00 PM-04 TRSE-00 OMB-01 NSC-05  
SP-02 SS-15 ACDA-07 EB-08 L-03 IGA-02 CIAE-00 INR-07  
NSAE-00 /067 R

DRAFTED BY DOD:COL WALKER  
APPROVED BY EUR:JJ CROWLEY  
DOD - MR. GLITMAN

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P 272050Z JAN 77  
FM SECSTATE WASHDC  
TO AMEMBASSY COPENHAGEN PRIORITY  
INFO AMEMBASSY BRUSSELS PRIORITY  
AMEMBASSY OSLO  
AMEMBASSY THE HAGUE  
USMISSION NATO

C O N F I D E N T I A L STATE 018895

E.O. 11652: GDS

TAGS:POL, MILI

SUBJECT: DANISH DEFENSE SPENDING AND THE F-16

REF: (A) COPENHAGEN 4812; (B) COPENHAGEN 0141; (C) COPEN-  
HAGEN 0251; (D) COPENHAGEN 0418  
DOD HAS PROVIDED THE FOLLOWING INTERIM REPLY TO REFTELS:  
1. WE SHARE YOUR CONCERN OVER THE GOD ABILITY TO FUND  
THE F-16 PROGRAM. FOR YOUR INFORMATION, F-16 COST  
GROWTH SHOULD BE VIEWED IN THE FOLLOWING CON-  
TEXT:

2. WHEN THE MOU AND PRELIMINARY CONTRACTS WERE SIGNED IN  
MID CY 1975, THE GOD ELECTED TO BUDGET FOR THE F-16 AT THE  
MOST PROBABLE AIRCRAFT FLYAWAY PRICE OF \$5.69M IN LIEU OF  
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THE ESTIMATED NOT-TO-EXCEED (NTE) PRICE OF \$6.091M(IN JAN  
75 DOLLARS.) THE OTHER THREE EPG COUNTRIES BUDGETED TO THE  
\$6.091M NTE AMOUNT. FURTHER, THE DANES ELECTED TO BUDGET  
FOR SUPPORT AND TRAINING COSTS AT 25 OF THE FLYAWAY PRICE  
OF THE AIRCRAFT. UNFORTUNATELY, THE OPTIMISTIC ESTIMATED  
PROGRAM COSTS PRESENTED TO THEIR PARLIAMENT WERE IN FACT  
SIGNIFICANTLY SHORT OF MEETING EXPECTED PROGRAM REQUIRE-

MENTS AS DEFINED TODAY IN THE LOA.

3. WE HAVE CONFIDENCE THAT THE \$6.091M NTE IS A GOOD FIGURE. THE \$5.69M MOST-PROBABLE COST IS NOT. THERE ARE A NUMBER OF REASONS FOR THIS: THE COST OF EUROPEAN CO-PRODUCTION IS HIGHER THAN EXPECTED. EPG SUB-CONTRACTORS WHO ARE REASONABLY COMPETITIVE IN PRICE HAVE BEEN DIFFICULT TO FIND. THERE HAVE BEEN A LIMITED NUMBER OF AIRCRAFT CONFIGURATION CHANGES ELECTED BY THE DANES WHICH HAVE CAUSED SOME PRICE INCREASE. ADDITIONAL SETS OF AIRCRAFT LOOSE EQUIPMENT ARE NECESSARY TO MEET REQUIREMENTS. R&D RECOUPMENT COSTS WHICH ARE NOT PROGRAMMED HAVE INCREASED COSTS ABOUT \$50,000 PER AIRCRAFT. PRIME CONTRACTOR AND EUROPEAN SUB-CONTRACTOR OVERHEAD LOADING FOR WORK DONE IN EUROPE. (THE REASONABLENESS OF THESE OVERHEAD LOADINGS WAS RAISED AS AN ISSUE SEVERAL MONTHS AGO. THE F-16 SYSTEM PROGRAM OFFICE MADE AN EXTENSIVE REVIEW OF THE LOADINGS TO ENSURE THAT THEY WERE REASONABLE, REFLECTED THE EFFORT BEING ACCOMPLISHED, AND WERE ALLOWABLE UNDER THE CONTRACT. THE OFFICE FOUND VERY FEW PROBLEMS AND CORRECTED THOSE IDENTIFIED. THE OFFICE WOULD WELCOME A FURTHER AUDIT; HOWEVER, THEY ARE NOT CONFIDENT THAT ADDITIONAL SAVINGS CAN BE FOUND).

4. THE 25 TRAINING AND SUPPORT FACTOR IS ALSO SIGNIFICANTLY SHORT OF REQUIREMENTS IDENTIFIED IN THE LOA. THE REQUIRED PERCENTAGE IS ABOUT 40 .

5. SENIOR DANISH REPRESENTATIVES OF THE F-16 STEERING  
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COMMITTEE MET IN WASHINGTON, D.C. ON 7 JAN 1977 TO REVIEW THE LOA AND DISCUSS THE FUNDING PROBLEM. A NUMBER OF ACTIONS WERE IDENTIFIED WHICH CAN BE EXPECTED TO REDUCE THE FUNDING SHORTFALLS IN CY 77 AND 78. AS ONE MEASURE, THE FORMER SECRETARY OF DEFENSE APPROVED WAIVING THE NORMAL REQUIREMENT OF ADVANCE CHARGES AGAINST POTENTIAL TERMINATION COSTS. ADDITIONAL ACTIONS ARE BEING EXAMINED. WHILE THERE WILL STILL BE A FUNDING PROBLEM IN 1978 THE MAGNITUDE OF THE PROBLEM IS LESS. THE DANISH REPRESENTATIVES WERE ENCOURAGED OVER THE RESULTS OF THE MEETING. PROBLEMS STILL EXIST, BUT HOPEFULLY ARE MANAGEABLE.

6. FOR ALL ADDRESSEES. DEPT AND DOD ARE AWARE OF THE POLITICAL PROBLEMS ASSOCIATED WITH THIS ISSUE AND ARE TAKING STEPS TO INSURE THAT POSTS ARE INFORMED OF DEVELOPMENTS. A REPLY TO THE LETTER FROM THE 4 EPG MODS TO

SECDEF (REF D) IS BEING PREPARED AND SIGNED LETTERS OF OFFER WILL BE PROVIDED REPRESENTATIVES FROM THE FOUR EPG

COUNTRIES NO LATER THAN 31 JAN 1977. POSTS WILL BE PROVIDED COPIES OF BOTH.  
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## Message Attributes

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**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Disposition Date:** 22 May 2009  
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**Drafter:** COL WALKER  
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**Executive Order:** GS  
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**Reference:** 77 COPENHAGEN 4812, 77 COPENHAGEN 141  
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**To:** COPENHAGEN  
**Type:** TE  
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**Review Markings:**  
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